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Commonwealth of Massachusetts

Department of Revenue

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# 1999 Massachusetts Financial Institution Excise Tax Return Form **63 FI**

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Schedules and Instructions

# General Information

This booklet contains Form 63 FI and schedules needed to complete the Massachusetts Financial Institution Excise Return.

Legislation enacted in 1995 changes the taxation of financial institutions doing business in Massachusetts effective for tax years beginning on or after January 1, 1995. These provisions are contained in secs. 1, 2 and 2A of Ch. 63 of the Massachusetts General Laws (MGL), as amended. It may be necessary to refer to these detailed statutory provisions to properly complete Form 63 FI and schedules.

Prior to the statutory change, the excise under MGL Ch. 63, secs. 1 and 2 generally applied to banks and similar entities existing by authority of Massachusetts or federal laws or the laws of a foreign country, but not banks organized under the laws of another state. The new provisions apply to a broader range of financial institutions.

**Forms and instructions pertaining to the repealed bank excise imposed under former MGL Ch. 63, secs. 1 & 2, have no force and effect for tax years beginning on or after January 1, 1995.**

## Who Must File and Pay the Financial Institution Excise?

The Massachusetts financial institution excise applies to banks, trust companies and federal or state savings and loan associations existing by authority of the United States, or any state or a foreign country. It also applies to bank holding companies and subsidiaries of bank holding companies, savings and loan holding companies, corporations subject to supervision by the Massachusetts Division of Banks and other corporations in substantial competition with financial institutions in Massachusetts which derive more than 50% of gross income from loan origination, lending activities or credit card activities. Credit unions are not subject to the excise. See Technical Information Release (TIR) 95-6.

**Corporations included in the new definition of financial institution which were taxed under MGL Ch. 62 (income tax on individuals, trusts, corporate trusts, partnerships and S corporations) or MGL Ch. 63, secs. 30 to 42, inclusive (corporate excise), are now taxed under MGL Ch. 63, sections 1 through 2A inclusive and must now file a Form 63FI, Financial Institution Excise Return for tax years beginning on or after January 1, 1999.**

**The minimum excise for a financial institution is \$456. The minimum excise cannot be prorated.**

## What is Nexus for Purposes of the Massachusetts Financial Institution Excise?

The financial institution excise applies to any financial institution engaged in business in Massachusetts. The term "engaged in business" as defined in MGL Ch. 63, sec. 1 includes:

- a) having a business location in Massachusetts;
- b) having employees, representatives or independent contractors conducting business activities on its behalf in Massachusetts;
- c) maintaining, renting or owning any tangible or real property in Massachusetts;
- d) regularly performing services in Massachusetts;
- e) regularly engaging in transactions with customers in Massachusetts that involve intangible property and result in income flowing to the taxpayer from residents of Massachusetts;

- f) regularly receiving interest income from loans secured by tangible personal property or real property located in Massachusetts; or
- g) regularly soliciting and receiving deposits from customers in Massachusetts.

With respect to the activities described in (d) through (g) inclusive, activities are presumed, subject to rebuttal, to be conducted on a regular basis within Massachusetts if any of such activities are conducted with 100 or more residents of Massachusetts during any taxable year or if the taxpayer has \$10,000,000 or more of assets attributable to sources within Massachusetts or if the taxpayer has in excess of \$500,000 in receipts attributable to sources within Massachusetts.

## Apportionment

For tax years beginning on or after January 1, 1995, Massachusetts has adopted a three-factor apportionment formula based on receipts, property and payroll. Apportionment applies to financial institutions with income from business activity which is taxable both in Massachusetts and in any other state. See MGL Ch. 63, sec. 2A. The apportionment calculations are reported in Schedule E. **It may be necessary to refer to the detailed provisions of MGL Ch. 63, sec. 2A in order to complete Schedule E.**

## Elections Relating to Apportionment

Financial institutions subject to the excise under MGL Ch. 63, secs. 1, 2 and 2A and filing Form 63 FI may make certain elections. Two elections may be made by the taxpayer without prior approval from the Department and two elections require prior approval from the Department. Once making an election to use an alternative method of valuation, the taxpayer will generally be required to use the alternative method on subsequent returns. However, a request for an alternative method of apportionment of income must be made for each taxable period.

## Elections Not Requiring Prior Approval from the Department

**Receipts Factor** — Valuation of Investment and/or Trading Assets and Activities by Average Value or Gross Income Method, Schedule E, Part 1(l). Interest, dividends, net gains (but not less than zero) and other income from investment and/or trading assets and activities are generally included in the numerator of the receipts factor by multiplying all income from such assets and activities by a fraction, the numerator of which is the **average value** of such assets which are properly assigned to a regular place of business of the taxpayer in Massachusetts and the denominator of which is the **average value** of all such assets. In lieu of using this method, the taxpayer may elect to determine the income from investment and/or trading assets and activities that is included in the numerator of the receipts factor by multiplying all such income by a fraction, the numerator of which is the **gross income** from such assets which are properly assigned to a regular place of business of the taxpayer in Massachusetts and the denominator of which is the **gross income** from all such assets and activities.

If the taxpayer elects or is required by the Department to use the gross income method, the taxpayer must use this method on subsequent returns unless the taxpayer receives permission or the Department requires a different method.

**Property Factor** — Valuation of All Property Owned, Schedule E, Part 2(e). The average value of property owned by the taxpayer is

computed on an annual basis by adding the value of the property on the first day of the taxable year and the value of the property on the last day of the taxable year and dividing the sum by two. If averaging on this basis does not properly reflect average value, the taxpayer may elect or the Department may require averaging on a more frequent basis.

A taxpayer electing to average on a more frequent basis must use the same method of valuation consistently with respect to property inside and outside of Massachusetts and on all subsequent returns unless the taxpayer receives permission or the Department requires a different method of determining average value.

**Elections Requiring Prior Approval from the Department**

**Property Factor** — Valuation of Rental Property, Schedule E, Part 2(a)iv. The average value of rented property (real or tangible) is generally determined annually by multiplying the gross rents payable during the taxable year by eight. A financial institution which believes that this general method results in inaccurate valuations of rented property may apply to use any other method which properly reflects the value. The taxpayer should make this request by submitting Form AA-1. A taxpayer that has been unable to obtain prior approval of an alternative method of valuation of rental property should use the statutory method of valuing rental property on its return and submit Form AA-1 describing the proposed alternative method. If the alternative method is approved by the Department, a refund of any overpayment, with interest, if due, will be made.

If an alternative method of valuing rented property is approved, that method must be used on all subsequent returns unless the taxpayer receives prior approval or the Department requires a different method.

**Alternative Apportionment.** A financial institution which believes that the statutory provisions contained in MGL Ch. 63, sec. 2A are not reasonably adapted to approximate its net income derived from business carried on within Massachusetts may apply to the Department to use an alternative method by filing Form AA-1 with its duly filed return. (The Department may also require use of an alternative method of apportionment without the taxpayer's application.) The taxpayer should use the statutory method of apportionment in calculating the excise due on Form 63 FI. If an alternative method of apportionment of net income is approved by the Department, a refund of any overpayment, with interest, if due, will be made. In processing taxpayer requests for alternative apportionment, the Department will generally follow the procedures in 830 CMR 63.42.1 to the extent that they are not inconsistent with other provisions of MGL Ch. 63, as amended, pertaining to financial institutions. **Note:** Be sure to check the box in line 4 of the registration section if requesting alternative apportionment.

A request for an alternative method of apportionment must be made for each taxable period.

**When Are Returns Due?**

Financial institution excise returns, together with payment in full of any tax due, must be filed on or before the 15th day of the third month after the close of the taxable year, calendar or fiscal.

An extension of time for filing returns will be granted for reasonable cause upon request. To request an extension, file Form 355-7004 Misc., on or before the normal due date of the return and pay in full the estimated tax due.

**Note:** An extension of time to file is not valid if the financial institution fails to pay at least 50% of the total tax liability through estimated payments or with Form 355-7004 Misc.

Any tax not paid on or before the due date, without regard to the extension, will be subject to an interest charge.

**Should the Financial Institution Be Making Estimated Tax Payments?**

All financial institutions which reasonably estimate their excise to be in excess of \$1,000 for the taxable year are required to make estimated tax payments to the Commonwealth.

Estimated taxes may be paid in full on or before the 15th of the third month of the corporation's taxable year or in four installment payments according to the following schedule. Financial institutions making payments must use Form 355-ES to make their payments.

Financial institution estimated tax installments are paid as follows:

Installment no.	Estimated tax due (%)	Due date from start of taxable year
1	40%	15th day of 3rd month
2	25%	15th day of 6th month
3	25%	15th day of 9th month
4	10%	15th day of 12th month

Financial institutions which underpay or fail to pay their estimated taxes may incur an additional charge on the amount of the underpayment for the period of the underpayment at the rate established under MGL Ch. 62C, sec. 32 (which is the rate the Department uses to calculate interest on underpayments and overpayments). Form M-2220, Underpayment of Massachusetts Estimated Tax by Corporations, is used to compute the additional charge.

See 830 CMR 63B.2.2 for additional information about estimated payments.

**Economic Opportunity Area Credit and Abandoned Building Renovation Deduction**

Financial institutions may qualify for the Economic Opportunity Area Credit or the Abandoned Building Renovation Deduction. For further information, see Schedule EOA or contact the Massachusetts Office of Business Development, One Ashburton Place, Room 2101, Boston, MA 02108.

**Full Employment Program Credit**

A qualified employer participating in the Full Employment Credit may claim a credit of \$100 per month of eligible employment per employee. The maximum amount of credit that may be applied in all taxable years with respect to each employee is \$1,200. Attach Schedule FEC to this return. For more information, contact the Department of Transitional Assistance, 600 Washington Street, Boston, MA 02111.

**What is a Proper Return?**

A proper return is a return upon which all required amounts have been entered in all appropriate items on all forms. Data sheets, account forms or other schedules may be attached to explain amounts entered on the forms. Referencing items to attachments in lieu of entering amounts onto the return is not sufficient.

A properly filed return must also include exact and complete copies of the financial institution's U.S. Form 1120, 1120-A or 1120S. Copies of all accompanying schedules and supplemental statements to the federal return must be attached.

**Disclosure Schedule**

Form 63 FI requires the taxpayer to enter certain information from its federal return. The Department has been mandated by statute to collect and annually report aggregate information about financial institution filers to the legislature.



1999

**Massachusetts  
Department of  
Revenue****Form 63 FI  
Financial Institution Excise Return**

For calendar year 1999 or taxable period beginning		1999 and ending	
Name of corporation ▶		Federal business code ▶	Federal identification number (FID) ▶
Principal business address City or town State Zip		State or country of incorporation	
Principal business address in Massachusetts City or town State Zip		Date business began in Massachusetts ▶	
<b>1.</b> ▶ Corporation is participating in the filing of U.S. consolidated return? <input type="checkbox"/> Yes (Enter name and FID of common parent corporation below.) <input type="checkbox"/> No ▶		<b>2.</b> ▶ Last year audited by IRS: _____ Adjustments reported to Mass.? <input type="checkbox"/> Yes <input type="checkbox"/> No (attach explanation)	
<b>3.</b> IRS forms filed: ▶ <input type="checkbox"/> 1120 <input type="checkbox"/> 1120-A <input type="checkbox"/> 1120S			
<b>4.</b> ▶ If requesting alternative apportionment, check here <input type="checkbox"/> and attach Form AA-1.		<b>5.</b> ▶ Check appropriate box: (a) <input type="checkbox"/> new business (b) <input type="checkbox"/> business terminated (c) <input type="checkbox"/> business has predecessor (d) <input type="checkbox"/> business has successor. If (c) or (d) is checked, enter name, address, state of incorporation and FID of such other business organization: _____	
<b>6.</b> Check here if return filed by FDIC ▶ <input type="checkbox"/>		<b>7.</b> Date of charter of organization ▶	
		<b>8.</b> Name of treasurer	
<b>9.</b> ▶ Check type of financial institution: 0132 <input type="checkbox"/> Other Financial Institutions 0133 <input type="checkbox"/> Domestic Bank 0134 <input type="checkbox"/> Foreign Bank			

		Use whole dollar method
<b>Excise Tax</b>	<b>1.</b> Income taxable in Massachusetts (Schedule A, line 13) . . . . . ▶ <b>1</b>	
	<b>2.</b> Excise due before credits, multiply line 1 by 10.5% . . . . . ▶ <b>2</b>	
	<b>3.</b> Economic Opportunity Area Credit (Schedule EOA, line 9) . . . . . ▶ <b>3</b>	
	<b>4.</b> Full Employment Credit (Schedule FEC, line 21) . . . . . ▶ <b>4</b>	
	<b>5.</b> Excise after credits. Subtract the total of line 3 and line 4 from line 2. . . . . ▶ <b>5</b>	
	<b>6.</b> Minimum excise (cannot be prorated) . . . . . ▶ <b>6</b>	456
	<b>7.</b> Excise due before voluntary contribution (line 5 or line 6, whichever is greater) . . . . . ▶ <b>7</b>	
	<b>8.</b> Voluntary contribution for endangered wildlife conservation . . . . . ▶ <b>8</b>	
	<b>9.</b> Economic Opportunity Area Credit Recapture (attach Schedule H-2) . . . . . ▶ <b>9</b>	
	<b>10.</b> Excise due plus voluntary contribution and EOA credit recapture. Add lines 7, 8 and 9. . . . . ▶ <b>10</b>	

<b>Refund/Tax Due</b>	<b>11.</b> 1998 overpayment applied to your 1999 estimated tax . . . . . ▶ <b>11</b>	
	<b>12.</b> 1999 estimated tax payments (do not include amount in line 11) . . . . . ▶ <b>12</b>	
	<b>13.</b> Payments made with extension . . . . . ▶ <b>13</b>	
	<b>14.</b> Total tax payments. Add lines 11, 12 and 13 . . . . . ▶ <b>14</b>	
	<b>15.</b> Amount overpaid. If line 10 is smaller than line 14, subtract line 10 from line 14 . . . . . ▶ <b>15</b>	
	<b>16.</b> Amount overpaid to be credited to 2000 estimated tax . . . . . ▶ <b>16</b>	
	<b>17.</b> Amount overpaid to be refunded. Subtract line 16 from line 15 . . . . . ▶ <b>17</b>	
	<b>18.</b> Balance Due. If line 14 is smaller than line 10, subtract line 14 from line 10 . . . . . ▶ <b>18</b>	Balance due
	<b>19.</b> M-2220 penalty ▶ \$ _____; Late file/pay penalties ▶ \$ _____ . . . . . ▶ <b>19</b>	Total penalty
	<b>20.</b> Interest on unpaid balance . . . . . ▶ <b>20</b>	
	<b>21.</b> Total payment due at time of filing. Make remittance payable to: Commonwealth of Massachusetts . . . . . ▶ <b>21</b>	Total due

<b>Bank Disclosure Schedule.</b> Massachusetts requires all financial institutions to complete the following items.	
<b>A.</b> Enter the amount claimed as a deduction for contributions to bad debt reserve from the corporation's federal return for the taxable year. . . . . ▶ <b>A</b>	
<b>B.</b> Enter the amount of bad debts that actually went bad during the taxable year . . . . . ▶ <b>B</b>	
<b>C.</b> Enter the amount of capital loss claimed federally that was treated as an ordinary loss, per IRC sec. 582(c). . . . . ▶ <b>C</b>	
<b>D.</b> Enter the total amount of capital gains claimed on U.S. Form 1120 or 1120S. . . . . ▶ <b>D</b>	
<b>E.</b> Enter the amount of total income as reported on U.S. Form 1120 or 1120-A, line 11 or 1120S, line 6 . . . . . ▶ <b>E</b>	

<b>Sign Here</b>			
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which he/she has knowledge.			
Signature of appropriate officer	Date	Social Security number	Title
Individual or firm signature of preparer	Date	Employer ID number	Address

If you are signing as an authorized delegate of the appropriate officer, check here ☐ and attach Mass. Form M-2848, Power of Attorney.

Mail to: Massachusetts Department of Revenue, PO Box 7052, Boston, MA 02204.

Form Code 375

Schedule A. Taxable Income

An exact copy of all pages of U.S. Form 1120, 1120-A or 1120S as filed must be attached to this return with applicable schedules and forms required to substantiate the Massachusetts excise. If filing U.S. Form 1120S, complete and attach a pro forma U.S. Form 1120. Any changes or amendments to any U.S. amount must be explained in detail. Any return filed without the copy of such U.S. information attached is an incomplete return and is subject to assessment penalties.

1.	Gross receipts or sales (from U.S. Form 1120 or 1120-A, line 1c)	1	\$
2.	Net income (from U.S. Form 1120, line 28 or U.S. Form 1120-A, line 24)	2	\$
3.	State and municipal bond interest not included in federal net income (total from Schedule B, column D)	3	\$
4.	Foreign, state or local income, franchise, excise or capital stock taxes deducted from federal net income	4	\$
5.	Portion of net capital loss carryover used to reduce capital gain on U.S. Schedule D.	5	\$
6.	Other income not included in line 2, above	6	\$
7.	Adjusted income. Add lines 2 through 6.	7	\$
8.	Abandoned Building Renovation deduction. Total cost \$ x .10 =	8	\$
9.	Dividends deduction (from Schedule D, line 5)	9	\$
10.	Total deduction. Add lines 8 and 9.	10	\$
11.	Income subject to apportionment. Subtract line 10 from line 7	11	\$
12.	Income apportionment percentage (Schedule E, line 5 or 100%, whichever applies)	12	%
13.	Income taxable in Massachusetts. Multiply line 11 by line 12. Enter here and on line 1 of return. If loss, enter zero on line 1 of return.	13	\$

Schedule B. Wholly Tax-Exempt Interest

A. Security	B. Rate	C. Maturity	D. Interest received	E. Amortization	F. Net interest
			\$	\$	\$
Enter column D total on Schedule A, line 3			\$	\$	\$

Schedule C. Business Locations Outside Massachusetts

Complete this schedule only if the corporation has income from business activities which is taxable both in Massachusetts and in any other states.

Location (city and state)	Business activity conducted at location	Number of locations	Answer Yes or No	
			Registered to do business in state	Files returns in state

Schedule D. Dividends Deduction

Beginning January 1, 1999, 95% of dividends received from or on account of the ownership of any class of stock, if the financial institution owns 15% or more of the voting stock of the institution paying the dividend, will be allowed as a deduction to net income. Attach schedule showing payers, amounts and percent of voting stock owned by class of stock.

1.	Total dividends (U.S. Form 1120, Schedule C, line 19)	1	\$
2.	Dividends, if less than 15% of voting stock owned		
	a. On common stock	2a	\$
	b. On preferred stock	2b	\$
3.	Total taxable dividends. Add lines 2a and 2b.	3	\$
4.	Dividends eligible for the deduction. Subtract line 3 from line 1.	4	\$
5.	Dividends deduction. Multiply line 4 by .95. Enter here and in Schedule A, line 9.	5	\$

# Schedule E. Income Apportionment

Apportionment Factors	A. Massachusetts	B. Everywhere	C. Percentage
<b>1. Receipts</b>			
a. Receipts from lease, sublease or rental of real property . . . . . <b>1a</b>			
b. i. Receipts from lease, sublease or rental of tangible property (other than transportation property) . . . . . <b>1bi</b>			
ii. Receipts from lease, sublease or rental of transportation property . . . . . <b>1bii</b>			
c. Interest (including fees and penalties) received on loans secured by real property . . . . . <b>1c</b>			
d. Interest (including fees and penalties) received on loans not secured by real property . . . . . <b>1d</b>			
e. i. Net gain on sale of loans secured by real property . . . . . <b>1ei</b>			
ii. Net gain on sale of loans not secured by real property . . . . . <b>1eii</b>			
f. Interest (including fees & penalties) on credit card receivables . . . <b>1f</b>			
g. Net gains on sales of credit card receivables (but not less than zero) . . . . . <b>1g</b>			
h. Credit card issuer's reimbursement fees . . . . . <b>1h</b>			
i. Receipts from merchant discount . . . . . <b>1i</b>			
j. i. Loan servicing fees from loans secured by real property . . . . . <b>1ji</b>			
ii. Loan servicing fees from loans not secured by real property . . . . . <b>1jii</b>			
k. Receipts from performance of other services . . . . . <b>1k</b>			
l. Interest, dividends and net gains (but not less than zero) from investment and/or trading assets and activities . . . . . <b>1l</b>			
Check method used for this item: ▶ average value method <input type="checkbox"/> gross income method <input type="checkbox"/>			
m. Any other "receipts" included in factor but not listed above . . . . . <b>1m</b>			
Describe _____			
n. <b>Totals.</b> Add lines 1a through 1m for each column. . . . . <b>1n</b>			
o. Receipts apportionment percentage. Divide column A total by column B total. . . . . <b>1o</b>			%
<b>2. Property</b>			
a. Average value of real or tangible property rented from another (capitalized at eight times gross rents during taxable year)			
i. Real property . . . . . <b>2ai</b>			
ii. Tangible property (other than transportation property) . . . . . <b>2aii</b>			
iii. Transportation property . . . . . <b>2aiii</b>			
Check if alternative valuation method is used for rented property. (Prior written approval from the Commissioner is required for use of an alternative method.)			
▶ iv. Alternative method used? Yes <input type="checkbox"/> No <input type="checkbox"/>			
b. Average value of real or tangible property owned (including capital leases)			
i. Real property . . . . . <b>2bi</b>			
ii. Tangible property (other than transportation property) . . . . . <b>2bii</b>			
iii. Transportation property . . . . . <b>2biii</b>			
c. Average value of loans (see statute) . . . . . <b>2c</b>			
d. Average value of credit card receivables (see statute) . . . . . <b>2d</b>			
e. Indicate frequency of averaging used above for determining value of all property owned: ▶ Enter number of times per year: <input type="text"/>			
f. <b>Totals.</b> Add lines 2a through 2d for each column . . . . . <b>2f</b>			
g. Property apportionment percentage. Divide column A total by column B total. . . . . <b>2g</b>			%
<b>3. Payroll</b>			
a. <b>Total</b> . . . . . <b>3a</b>			
b. Payroll apportionment percentage. Divide column A total by column B total . . . . . <b>3b</b>			%
<b>4. Apportionment percentage.</b> Add total of column C, lines 1o, 2g and 3b . . . . . <b>4</b>			%
<b>5. Mass. apportionment percentage.</b> Divide line 4 by 3. Enter here and in Schedule A, line 12 . . . . . <b>5</b>			%